

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2001-249

April 30, 2002

COMMUNITY SERVICE TELEPHONE
COMPANY, Proposed Tariff Revision
for Increase in Rates

ORDER APPROVING
SUPPLEMENTAL STIPULATION

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order we approve a stipulation, filed on February 15, 2002, that supplements the Stipulations of May 24, 2001 and October 19, 2001, approved on September 4 and November 29, 2001, respectively. The present stipulation (which we will refer to as the "Supplemental Stipulation")¹ addresses issues concerning earnings during the pendency of the rate case that were left open in the Stipulation of October 19, 2001. The Supplemental Stipulation establishes (1) the difference between Community Service Telephone (CST) Company's revenues and revenue requirement for the period May 30, 2001 to October 31, 2001 (hereinafter, the "interim period") and (2) the amount of interest on that portion of the difference that exceeds the "Amortization Cap" and therefore will not be amortized for a period of five years. The Supplemental Stipulation also provides that local exchange service rates will be reduced to reflect the interest described above.

II. DISCUSSION

In paragraph III(8) of the May 24, 2001 Stipulation, the parties agreed:

Modification of Amortization Amount and Period. At the conclusion of the rate case in Docket No. 2001-249, an Adjustment to the Initial Amortization Amount shall be made as follows: The Adjustment shall be the amount by which CST's revenues during the period from May 30, 2001 through the Implementation Date (the "Interim Period") differed from CST's revenue requirement during the Interim Period ("Interim Revenue Requirement"). The Interim Revenue Requirement shall be determined as follows: The Interim Revenue Requirement will be determined on the basis of CST's actual financial results during the Interim Period, using the Cost of Capital used to determine the Permanent Revenue Requirement, unless a different Cost of Capital is agreed to among the parties or established by the Commission. The actual financial results may be adjusted to the extent the Commission finds that any expense or investment

¹ The title of the stipulation is somewhat misleading in that it refers only to the "Interest on the Amortization Amount." In fact, the Stipulation establishes both the amount of the amortization for the "interim period" during the pendency of the rate case and the interest on the amount that will not be amortized until after five years.

during the Interim Period is unreasonably high or low. If the resulting Total Amortization Amount exceeds \$1.25 million, no Annual Amortization Amount shall exceed \$250,000 and the excess over the \$1.25 million shall be amortized in years six and afterwards, subject to the \$250,000 annual cap. Any Amortization Amount in excess of the \$1.25 million will earn "interest" during the five-year initial Amortization Period and until amortized, at the cost of debt used to set rates in the rate case, which interest will be used to reduce local rates during the period such interest is being earned.

The term "Initial Amortization Amount" refers to the amount, established by an agreement in Docket No. 98-893 and ultimately formalized in the May 24, 2001 stipulation in this case, that returns to ratepayers some of the Company's earnings that occurred during an earlier period. That return is amortized over a period of five years, unless the amortization amount (including the amount added to the initial amount for the period of the pendency of this rate case) exceeds \$1.25 million, in which case the excess over \$1.25 million will be returned after the five-year period, but will carry interest in the meantime.

In the present Supplemental Stipulation, the parties have agreed that the revenue effect of the amount of earnings during the interim period that should be returned to ratepayers and should be added to the amortization amount is \$360,234.² Adding that amount to the initial amortization amount results in a total amortization amount of \$1,310,234, which exceeds the maximum amount that will be amortized in the five year period (\$1.25 million) by \$60,234. That \$60,230 will be amortized after the 5-year period, but will carry interest in the meantime. The interest will be used to reduce rates for basic service by \$0.03 per line per month.³

We find that the Supplemental Stipulation contains a reasonable resolution of these issues, and we therefore approve it. The excess earnings for the interim period appear to fall within a reasonable range for a rate of return. In addition, the agreed-upon amount of excess earnings for that 5-month period exceeds, on a pro-rated basis, the amount of annual excess earnings established for the adjusted test year used in the October 19, 2001 Stipulation.

Accordingly, we

A P P R O V E

The Supplemental Stipulation, attached hereto, filed in this case on February 27, 2002 and incorporated into this Order. Community Service Telephone Company shall

² Pursuant to the May 24, 2001 Stipulation, \$300,000 of this amount (\$60,000 annually) has already been applied to reduce access rates.

³ The interest rate is equal to the Company's cost of debt. The use of the cost of debt for this purpose was established in the May 24, 2001 Stipulation.

promptly file revised rate schedules that implement the provisions of the Supplemental Stipulation.

Dated at Augusta, Maine, this 30th day of April, 2002.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond

COMMISSIONER ABSENT: Nugent

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.